

**AAATA Project Phase One Report:
Building Foundations for Private Agribusiness Growth in Albania**

Submitted to

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by

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Acronyms and Abbreviations

2KR	Second Kennedy Round
AAATA	Assistance to Albanian Agricultural Trade Associations
AATDA	Albanian American Trade and Development Association
ABMC	Association Business and Management Center
AFADA	Albanian Fertilizer and Agro-Input Dealers Association
AGRIDEV	Agriculture Development Company (International) Ltd.
AMCHAM	American Chamber of Commerce in Albania
CIM	Centrum fuer Internationale Migration und Entwicklung
EGAT	Economic Growth, Agriculture, and Trade
EU	European Union
GDP	gross domestic product
GOA	Government of Albania
IFDC	An International Center for Soil Fertility and Agricultural Development
KASH	Federation of Agricultural Trade Associations
mt	metric tons
NGO	non-governmental organization
SME	small and medium enterprises
SRFSA	Sustaining the Restructured Fertilizer Sub-Sector in Albania
U.S.	United States
USAID	United States Agency for International Development
VAT	value-added tax

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Executive Summary

The United States Agency for International Development (USAID) and IFDC had pioneered the development of the agro-input sector in Albania since 1991, when the country suddenly emerged in chaos after decades of a repressive and isolationist communist regime. The country made laudable progress in undertaking macro reforms and land distribution. Crop yields increased through the 1990s. Agriculture, which accounts for 55% of gross domestic product (GDP), is mainly subsistence farming. Based on the IFDC success in establishing an effective and durable trade association of agro-input dealers in Albania, USAID decided in 1998 to fund a new project that would establish more agricultural trade associations that could serve as vectors of agribusiness growth.

The few agro-enterprises remained at a rudimentary stage due to a myriad of problems ranging from inadequate infrastructure to scarcity of capital and credit, poorly developed markets, weak capability of government to deliver services, tax and other policy-related disincentives, and turmoil in the region, including the then nascent Kosovo crisis.

IFDC won the competition and entered into a cooperative agreement in January 1999 to implement the new project, called Assistance to Albanian Agricultural Trade Associations (AAATA), initially for 3 years, with an option for two more. The project aims squarely at the USAID strategic objective of developing prosperous private enterprises that stimulate widespread and solid economic growth and, in particular, at the targets of increasing agricultural production and processing, helping agricultural trade associations become sustainable, and increasing exports.

The IFDC strategy for the trade association centerpiece followed three stages. In *stage one*, the focus was on building seven strong individual industry trade associations. In *stage two*, the project encouraged an alliance of the agricultural trade associations in order to create a more

powerful and unified voice for policy reform. While continuing to nurture progress in the first two stages, the project added *stage three*—the establishment of a combined association business and management center, which could serve member interests more cost effectively. The national congress of trade associations in 2001 was a landmark event for private business in Albania. As an example, the associations were able to take over responsibility for managing the Japanese commodity grant program.

The project has successfully established eight democratic and functioning agricultural trade associations, a federation of 18 trade associations as an effective voice for advocating policy reform, and the partnership of eight of them in an Association Business and Management Center that aims to be effective and self-sufficient.

A critical test of the project will be the financial sustainability of the associations in the years after the project ends. The common management office, a democratic federation that uses economic arguments in pursuit of changing government policy, and the payment of full cost for services are difficult concepts to introduce in the Albanian context. Progress to date has been encouraging, and the AAATA project has made trade associations more effective and sustainable.

While well aware of the constraints confronting agribusiness in Albania, the project staff understood that opportunities existed. They helped encourage 700 private entrepreneurs to join trade associations and convince 117 project clients to invest nearly US \$27 million over 3 years in new and expanded agro-enterprises. Thanks to hands-on technical assistance, these clients invested US \$20 million of their own and family funds, received US \$3.7 million in credit from overseas suppliers, and borrowed US \$3.2 million from banks. In addition to remarkable growth rates, the clients made significant advances in production and quality, including the first production in Albania of winter vegetables in high-tech greenhouses, extra virgin olive oil, turkeys, roasted peppers, cherry tomatoes; and niche exports.

Perhaps the greatest impact of the AAATA project to date has been to convince public and private decision makers that agribusiness is critical to the country's economic future and that

Albania can compete with imported products and in selected export markets. In addition to the twin institutional legacy of trade associations and agro-enterprises, the AAATA project has contributed to building selected agribusiness support organizations. These include private sector extension services, agribusiness credit unions, media outreach, and public institutes for food quality and agricultural surveys and statistics.

During Phase Two of the project in 2002 and 2003, IFDC will expand the promising results to date and embed the elements of sustainability throughout. Critical to competitive agribusiness success is the integration of the value chain from inputs through production to post-harvest handling, processing, and marketing. The extension will focus on promoting the emergence of demand-driven industry clusters anchored in the trade associations and the Association and Business Management Center (ABMC). Many challenges lie ahead in making this next leap.

USAID has incorporated achievements, methods, and lessons from IFDC work in Albania in an agribusiness case study used to train USAID Economic Growth, Agriculture, and Trade (EGAT) officers. USAID Missions in Kosovo, Kyrgyzstan, Azerbaijan, Nigeria, and Afghanistan have recently engaged IFDC to undertake agro-input market and trade association development projects in those countries, based on the lessons learned in Albania.

It is important to keep in mind that the AAATA project was blessed with some factors not always present in other countries. These include a technically educated populace; a history of agriculture; good climate; and entrepreneurial, hard-working people. Substantial remittances from the Albanian Diaspora helped provide critical start-up capital. In addition, the project benefited from alliances with U.S. and other partners, including the American Bank of Albania and a German agency that provides an expert advisor.

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I. Introduction

Agribusiness Environment When the Project Was Launched

USAID approved funding for the AAATA project in January 1999. IFDC immediately undertook a needs assessment, devised a detailed work plan, and established specific targets using the situation in 1998 as the base year on which to measure progress. In 1998 there were 466,659 farm families (60% of the labor force) in a country whose area is slightly larger than New Hampshire, and in which nearly half the land is mountainous and 20% pasture, leaving only 32% suitable for cultivation. The previous state-owned land and cooperative farms were allocated equitably to all rural residents; this allocation resulted in an average farm size of 1.17 ha (about 3 acres), usually divided into three separate plots.

Though political instability and economic uncertainty continued to plague the country, the agricultural sector had performed relatively well during the mid-1990s. This was due in part to the success of ongoing USAID-funded programs, including those of IFDC, which developed the agro-input markets and thereby expanded the access of farmers to fertilizer, improved seed and other inputs. Agriculture, mainly subsistence farming and livestock herding, accounted for 55% of GDP in this poorest of European countries.

Agribusiness remained at a rudimentary stage, however, due to a myriad of problems flowing from inadequate infrastructure, including disrepair of the vital irrigation system, scarcity of capital and access to credit, poorly developed markets, little capacity to process agricultural products, weak capability of government to deliver services, unwillingness among producers to cooperate, tax and other policy-related disincentives, and turmoil in the region, including the Kosovo crises.

Because of its location, agro-climate, tradition, labor costs, and other factors Albania has a comparative advantage in horticulture. Yet in 1998 the country imported 21,000 metric tons

(mt) of vegetables, representing 12% of the total value of all agricultural imports. Exports of vegetables amounted to only 1,400 mt, a significant negative trade balance. The situation deteriorated in 1999, when Albania imported 23,000 mt of vegetables and exported only 510 mt. (By comparison, ten years earlier under the communist dictatorship, the country had exported 36,000 mt of tomatoes alone to Europe.)

USAID and IFDC recognized that Albania's economic future depends on fostering the potential of its nascent private entrepreneurs, particularly those engaged in agribusiness. The goal of the AAATA project was to create viable trade associations through which agribusiness could grow in a solid and sustainable manner. The objective was to take advantage of those opportunities that did exist and could be realized despite the problems.

Replacing imports of fresh vegetables was one example. Another was in poultry. Most eggs and virtually all broilers and chicken parts were being imported in large numbers. After completion of the privatization process of the poultry industry during 1992-94, most of the poultry facilities were found to be non-profitable, due to outdated equipment and lack of know-how and management skills of the new owners. Domestic production of broilers was almost non-existent. Similarly, the once impressive olive oil industry had deteriorated in quality and quantity over the decade.

Groundwork by USAID/IFDC

The USAID investment in private sector agricultural development in Albania through IFDC and others beginning in 1992 contributed to the continual increase of crop yields through the difficult and troubled transition period. The successful establishment of the Albanian Fertilizer and Agro-input Dealers Association (AFADA) helped spur the growth in agriculture and set the stage for the new AAATA project. The project aimed at Sustaining the Restructured Fertilizer Sub-Sector in Albania (SRFSA) during 1995-99 and accomplished four main objectives by demonstrating that:

- Private sector trade associations can work and serve as effective vectors for change.
- Private dealers can supply critical agro-inputs and transfer technologies to farmers.

- Agribusiness can develop and compete despite the constraints, with hands-on advice.
- Targeted public-private partnerships and institution building can support the process.

The success of AFADA had inspired agro-entrepreneurs to approach USAID/IFDC for help in 1998 in forming trade associations in such key sub-sectors as horticulture, olive oil, poultry, flour and feed grain milling, meat processing, and agricultural machinery.

Goals and Objectives of the AAATA Project

The AAATA project was designed for an initial 3-year phase (1999-2001) with an option for 2 more years if it proved successful. This report describes the results of the first phase, which led to the extension of the project through 2003. The AAATA project aims squarely at the USAID strategic objective of developing prosperous private enterprises that stimulate widespread and solid economic growth and, in particular, at the sub-objectives and results targets of increasing agricultural production and processing, helping agricultural trade associations become sustainable, and increasing exports.

AAATA goals are intertwined and reinforcing:

- Build networks and systems that promote and support agribusiness development, specifically trade associations, sources of capital, policy reform and technical advice.
- Assist individual agro-enterprises to start new ventures and expand and modernize existing ones. Agribusiness success will, in turn, strengthen trade associations and access to credit while creating more demand for production from farmers.

In Phase One the project concentrated on achieving four primary accomplishments:

1. *Guide the formation of seven Albanian agricultural trade associations* to the stage where they are effective, financially sound institutions that serve their members in improving the sustainable growth of agribusiness, including the policy setting.
2. *Expand production and profitability of Albania's emerging private agro-enterprises* by providing technical assistance and stimulating new investments for all members of the trade associations and by offering specialized, hands-on help to 50 promising firms with the potential to make quantum progress and serve as examples.

3. *Help agro-enterprises obtain access to credit and capital* by guiding members in business planning, persuading banks and suppliers, and establishing credit unions anchored in trade associations.
4. *Develop institutional capacity* in private sector extension services and in public sector institutions such as the Food and the Veterinary Research Institutes and the Ministry of Agriculture's statistics program.

II. Trade Association Development

A. Techniques and Achievements

The heart and purpose of the AAATA project, as its name indicates, is to assist in the establishment of viable agricultural trade associations that can provide valuable services to members on a sustainable basis. In addition to the institution-building benefits, trade associations serve as cost-effective channels to provide business and technical training and assistance to the primary agribusiness firms. In transitional economies it is primarily through such mechanisms that agribusinesses can jointly influence the policy changes necessary to improve the business setting and to develop the industry clusters and value-added commodity chains so critical to becoming competitive in the global marketplace.

IFDC adopted a three-stage approach. It evolved from the lessons that helped AFADA graduate, incorporated USAID best practices in small and medium enterprise (SME) strengthening, and introduced new concepts and experiments to the science of association development. In *stage one*, the project focused on building seven strong individual industry trade associations. In *stage two*, the project encouraged an alliance of the agricultural trade associations, including at the regional level, to create a more powerful and unified voice for policy reform. While continuing to progress in the first two stages, the project added another element in *stage three*—the establishment of a joint association business and management center, which could more cost effectively serve member interests because of economies of scale.

Stage One—Building Strong Associations—Throughout the 3-year period, AAATA worked to increase membership, services, and financial well-being of the initial seven, and later eight, sub-sector trade associations. They covered the main agricultural industry groups that had organized themselves and requested help from the project. The members represent an average of 75% of the market share in their respective sub-sectors, which included the production and processing of: commercial horticultural products, including greenhouses; poultry, egg, and feed milling; olive and other edible oil; meat; potatoes; fish; flour milling; and agricultural equipment and processing machinery.

The project used standard and specially adapted techniques for developing the associations, including regular meetings; communication and information on industry developments and markets; better access to credit; trade missions and fairs; a stream of relevant training in business, management, technical subjects, association governance and revenue generation matters; media coverage and “brand identification;” and an advocacy role. The project initially supplied each of the associations with an executive director knowledgeable in the business. The charge was to build membership, identify specific problems, arrange training and technical assistance, produce with other experts technical brochures, and generate non-dues revenue from market-responsive services.

The efforts bore fruit. From a base of 120 members in 1998 when in the nascent stage, the seven client trade associations reached a dues-paying membership of 700 in December 2001. Assets from dues and other revenue similarly have grown steadily from almost nothing to US \$74,300 by the end of 2001. The individual trade associations are able to attract and retain members while raising dues because they provide services and “bonding” that the members consider of value.

The AAATA project units handling agribusiness, credit, private sector extension, public-private partnership, media, and credit unions worked together to reinforce the benefits of association membership. They used the industry association channels to provide valuable benefits, including technical support, training and workshops, trade missions, market and other information, and technological innovations. Results were measurable and tangible.

The production for the first time in Albania of high quality (extra virgin) olive oil is an example of how the AAATA project was able to fit the pieces and players together to achieve a specific goal in a short time. Albania has a long history and potential competitive advantage in olive oil, but years of isolation and neglect led to deterioration in quantity and quality. Over 40,000 poor rural households tend four million olive trees on 44,000 ha of usually hilly and poor land. Most olive production is consumed at home; only 1,000 tons of olive oil is currently marketed.

When IFDC/AAATA orchestrated the quest in 2000 to help Albania produce extra virgin olive oil, most observers said it would take 10 years to meet the standards (reducing acidity from 6% to less than 1%), and was aiming too high in view of the decrepit state of the industry. The project worked through the olive oil association to hold workshops and field demonstrations, provide technical assistance by local and foreign experts, and arrange trade missions.

Concerted private sector extension services and a media campaign encouraged farmers to adopt better production, pest management, harvest, and post harvest techniques. Staff helped olive oil processors to improve their outreach programs, processing, and packaging. IFDC encouraged the processors, mechanization trade association, and government to use a Japanese program to procure top quality processing lines from Italy. Within 2 years, 7 processors were marketing 60 mt of extra virgin oil.

In addition to the trade missions and consulting services, the costs of which were partially borne by the clients and used to build association assets, the project demonstrated the significant benefits of making common cause within an industry. The project taught the members how to use sound economic and competitive reasons to argue for change in fiscal and other policies that impede agribusiness growth in their sector. For example:

- The customs tariff of 20% for imported meat and ingredients was making it difficult for domestic meat processing to compete with finished products, such as salami and sausage, from nearby countries. Almost all such products were being imported, at a significant foreign exchange cost to the country.
- With project support, the meat processors' group convinced the Government of Albania (GOA) to reduce the tariff on meat from 20% to 10% and on spices and other ingredients from 20% to 5%. As a result, local salami and sausage making took off and displaced imports. Consumers were better served, employment was created, and enterprises prospered. Association members nearly doubled their revenue in the last 3 years.

- By taking decisive action in early 2001, the Meat Processors Association was able to defuse unfounded fears of mad cow and foot and mouth diseases. The group launched a media and information campaign in concert with the Ministry of Agriculture and experts from the Veterinary Research Institute, a project partner.
- Tariffs of 10% on poultry inputs, including day-old chicks and feed, and equipment were discouraging the growth of the domestic industry by making it difficult to compete with imported eggs and meat.
 - As a result of a petition by the poultry farmers' association with support from the project, the GOA reduced the tariffs on all poultry-related inputs. The industry has responded with dramatic growth in local egg production (nearly double the egg production over 3 years), making the country self-sufficient in eggs.
- There were no official standards for assessing the quality of eggs, thus discouraging value-added improvements and food safety improvements. Under project auspices, the poultry association together with a local expert prepared a set of standards for egg quality and sent a draft regulation to the Directorate for Standards and Quality for approval and enforcement. The standards were approved and voluntary enforcement is being practiced. The next steps, legislation and legal enforcement measures, are underway.
- The wheat millers' association asked for a decrease in the tax on wheat imports from 10% to 5%, to which the Albanian authorities agreed. As a result, the amount of flour milled domestically doubled and revenue increased by 42%.

Stage Two—Forming an Alliance of Agricultural Trade Associations—The advocacy successes of individual trade associations made it easier for the project to promote the concept of a federation of agricultural associations based on alliances of sister associations at the regional and national levels. In addition to the eight AAATA associations, the project reached out to those linked to other projects, such as those representing the dairy and medicinal herb and spices industries, bringing the current consortium to 18 members.

KASH, the federation's acronym in Albanian, was founded on September 15, 2000, as an umbrella for 16 member associations. The main purpose is to coalesce as a single, powerful voice for advocacy. Through their quarterly regional and national meetings, Federation of

Agricultural Trade Associations (KASH) members assemble to raise policy issues, plan strategies, and resolve problems with government authorities. The positions of the Federation are rooted in the interests of 2000 agro-enterprises that invest millions of U.S. dollars in the sector and of thousands of farmers through the National Farmers' Union, which also joined the KASH alliance.

At the first National Congress of KASH in May 2001, the participants discussed the current and future problems of agricultural and agro-processing development and presented to the Albanian Government decision makers recommendations regarding public-private cooperation, agricultural land markets, marketing, fiscal reform, scarcity of credit, corruption, intermittent electric power, food quality and safety concerns. This convocation marked the beginning of an organized joint effort to solve such problems and established KASH as an indispensable partner in Albania's economic progress.

The Federation has enabled the trade associations to project their influence beyond the specific agribusiness policy issues tackled earlier. Local politicians and those vying for Parliament now come to the regional KASH meetings, which are critical building blocks for the foundation of KASH. They promise to help agribusiness with infrastructure and reform. This is a remarkable change and a refreshing example of democracy in action.

“The formation of KASH—the Albanian Agribusiness Council—was a milestone event for private business in Albania,” said the U.S. Ambassador to Albania, Joseph Limprecht to the KASH Congress in May 2001. “With agriculture accounting for more than half the economy, the need for agricultural businesses to have a strong voice in national affairs is clear. The formation of KASH was also a significant accomplishment of the assistance the United States has provided for many years through IFDC. Through this process, KASH can hold the political parties accountable for what they say today. This is the essence of democracy.”

In October 2001, KASH organized a national conference to discuss policy issues and presented its positions on fiscal reform to Parliament for the end-of-year session. KASH advocacy accomplished much of what it sought for that session, including private sector membership on the commission for tax disputes, interest on overpayment of taxes, simplification

of the value-added tax (VAT) regime, and tabling of a plan to change customs duties on imports of edible oil and fish. KASH continues to urge government to resolve the politically sensitive agricultural land conflicts over restitution and promote a land market.

While much needs to be done to improve the climate, at least the GOA now routinely consults with KASH in shaping policies—whether internal, such as the poverty reduction strategy, or external trade negotiations with neighbors.

Stage Three—Structuring for Sustainable Service—With the collaboration at the regional and national level established and the benefits recognized by the trade associations, the AAATA project leadership was able to guide the client associations onto another level in the evolutionary process. The associations were naturally small, given the size of the country and its economy. To maintain the services to which the members had become accustomed under the project in the future, it made sense to consolidate functions, share costs, and move toward full cost recovery for services. This is the stage where most donor-funded projects fail—the business service organizations and other institutions created by the projects collapse shortly after the donor funds cease. IFDC had weaned AFADA from USAID funds, and it serves as a model for others. AFADA agreed to pool resources to establish a shared office operation.

The project then moved to create the Association Business and Management Center (ABMC) to serve as the business and technical service support organization for the trade associations. Seven trade associations have literally invested in this concept. (The flour millers' group preferred to stay on their own.) To realize economies of scale and achieve a far greater level of services, the association members have agreed to assign a portion of their dues to create a central staff for organizing their meetings, programs, marketing information, publications and media outreach, and business missions. For example, ABMC publishes a quarterly magazine aimed at keeping trade association members informed of key technical and policy issues.

The ABMC has an advantage over other business support organization attempts in that it is anchored in trade association members. They are stakeholders and drive the services provided. By developing jointly a strategic and business plan, the members are more likely to agree on the

necessary membership campaigns, new revenue sources, and hikes in dues and user fees to ensure financial viability. The Center provides trained staff and a support base for the analysis and logistics required for KASH effectiveness, and ABMC can bid on contracts and apply for grants from donors to advance mutual objectives.

ABMC increased the rates for dues and services, thus generating additional revenues of US \$9,000 in the second half of 2001, bringing the balance in the account to US \$40,000. The National Farmers' Union, a potentially significant force for agricultural improvement, and the AFADA Credit Union have joined ABMC, bringing the total to nine paying partners.

B. Impact, Lessons Learned, and Problems

The AAATA project works in an integrated and systematic way through the trade associations to address constraints and to provide needed technical assistance to enable the private sector to increase the quantity and quality of agricultural production on a market-oriented basis. The program has established a platform for a lasting private sector institutional architecture that is capable of representing and supplying the needs of the agribusiness community. The project has increased membership in the trade associations and provided intensive training, technical and business assistance, and other support to the members, the association staff, and a cadre of qualified consultants to serve them.

The AAATA project in Phase One has demonstrated the practical benefits of trade associations for supporting agro-entrepreneurs and for gaining economic recognition and political support for agribusiness development. As described in the next chapter, the association members have significantly increased production and employment, thus contributing to agricultural development and economic growth in Albania while serving as an institutional base, inspiration, and example for others. The new associations are democratic and effective policy advocates that represent the true legislative interests of their members. Through KASH, and backed by business success, they have put agribusiness on the political agenda and the expansion of agro-processing in the policy forefront. KASH also forms coalitions with the American Chamber of Commerce in Albania (AMCHAM), the Albanian American Trade and

Development Association (AATDA) and others to improve the overall climate for business, for example, in combating endemic corruption.

The role of the associations in policy reform helps make the process and implementation more transparent. Legislation affecting agribusiness was usually made behind closed doors without consultation with the enterprises and sectors concerned. KASH was able to convince the GOA to include it as a member of the Advisory Council and to consult in advance and have full access to information in the emergence of legislation on agribusiness. The consolidated voice and influence of the AAATA partner associations was able, for example, to convince the government to remove almost all import tariffs and VAT on new equipment and raw material used for direct investment in agribusiness.

Another example of the difference that trade associations can make concerns the GOA-Government of Japan agreement of June 1999, whereby Japan would donate US \$4 million worth of fertilizer and agricultural machinery to Albania. Traditionally, the recipient government of the Second Kennedy Round (2KR) program decides on the commodities, arranges their distribution, and then allocates the proceeds realized from the credit sales. The program often leads to disruption in the local private sector markets and less than effective use of the counterpart funds, assuming the initial loans are repaid.

The AAATA project leadership supported the trade associations and worked with the officials charged with implementing the program. They were able to secure an official decree requiring collaboration with the relevant private sector trade associations in the selection, sale and distribution of the commodities. A transparent auction system was devised, and the products were selected on market criteria, such as the modern olive oil processing equipment from Italy.

The result was a successful, market-oriented process that was also adopted in the following years. The agro-machinery trade association, with the full backing of KASH, was also able to convince the GOA to assign all the proceeds from the sales into a revolving credit fund. It will be used and managed by the private sector for the further purchase of agricultural-related materials. This private sector role in the Japanese 2KR program represents a remarkable breakthrough and was made possible by the establishment of a strong and influential trade association structure.

Challenges—A critical test of the project will be the financial sustainability of the associations in the years after the project ends in January 2004. It is difficult to convince association members that there has to be a revenue stream to keep the organization functioning.

While generating non-dues revenue is a challenge for trade associations everywhere, the opportunities for creative services, such as selling insurance, are limited in Albania.

While a problem, there is hope that the project will succeed in instilling financial self-sufficiency over the next 2 years. Direct support for AFADA ceased in 1999, and the association has prospered on its own since then and has now become a founding partner of the ABMC. In preparing AFADA for graduation, IFDC guided it in building reserves, physical assets, and a workable business plan. The AAATA project has been doing the same for the eight association clients. AFADA had a big advantage, however, in that the members imported fertilizer jointly to achieve economies of scale and agreed to assign .03% of the value to defray service costs and build a reserve. The primary reasons for devising the ABMC and shifting project staff to it are to reduce overhead expenses, improve efficiency, and set the stage for cost recovery for technical and business support.

Both aspects—a common management office for different sub-industry groups and the notion of paying full cost for services—are difficult concepts in the Albanian scene. It was a significant breakthrough to convince the now bonded membership of the individual trade associations to consolidate their services and budgets. After a decade of generous aid projects, businessmen are used to free assistance and remain reluctant to pay the full cost of consulting and extension services. Many are not convinced they need such advice anyway. These are common development problems, with no easy solutions.

The AAATA project is a proving ground for making trade associations and related business and technical consulting services more effective and sustainable. Trade associations are valuable ends in themselves as institutions, but their ultimate purpose is to help develop agribusiness. To the extent the project succeeds in that and produces satisfied clients, the associations will be better able to generate participation and revenue and to convince members of the value of continuing consulting and other services.

III. Agribusiness Development

A. Techniques and Achievements

From the beginning, the project was demand-driven by the groups of enterprises that came together to form trade associations and by individual firms that sought intensive advice. The project response was twofold:

- Holistic packages of technical assistance, training, and problem-solving geared to the particular industry association members.
- Specialized, one-on-one assistance to progressive and ready companies that would serve as models and nuclei for industry cluster development.

To complement staff skills, IFDC drew on local experts whenever possible. To ensure a sustained approach to agribusiness development in all its complexity, IFDC entered a long-term contract with Agriculture Development Company (International) Ltd. (AGRIDEV), an Israeli consulting firm with solid experience in the Balkans and proven marketing linkages.

As interest in agribusiness grew, the project was able to serve 700 trade association members through the tailored package approach and 50 of them as select clients. While well aware of the constraints facing agribusiness in Albania, the project staff adopted the mantra that opportunities exist and much can be done. That message helped convince 117 clients to invest nearly US \$20 million of their own and family resources over 3 years (US \$5.8 million in 1999, US \$6 million in 2000, and US \$7.9 million in 2001). The clients were able to obtain US \$3.7 million in credit from suppliers and borrow US \$3.2 million from banks.

The project was able to generate such confidence and response from entrepreneurs, suppliers, and bankers because IFDC had built trust and a solid reputation through the years, in part by monitoring loan repayments; was able to use the trade associations as vectors of change, and developed a convincing strategy for each of the eight sub-sectors.

In the case of the meat industry, for example, the emphasis was on removing tariffs and improving quality and hygiene. For the olive oil industry, as noted above, the project undertook a multi-pronged campaign aimed at improving olive and processing quality. To spur the potato

industry, the project helped identify seed suppliers and develop marketing systems. The project worked with the horticulture association to expand greenhouses and to promote technology upgrades that are appropriate and economical for the various types in use, including simple plastic tunnels.

Until 2001, Albania was completely reliant on imported tomatoes and cucumbers in winter. Based on financial and competitive analysis, project advisors encouraged two wealthy project clients to invest in US \$150,000 state-of-the-art greenhouses. These have proved to be a major success in terms of business, pride, and transferring technology to operators of less sophisticated greenhouses. In this case, as for extra virgin olive oil, the project started at the top and worked backwards to put the necessary pieces and support in place. In the case of eggs and potatoes, the initial object was to improve current practices and increase production and quality. They were known viable commodities. Broilers on the other hand were a risk due to the high cost of feed. These risks have been successfully tackled by project assistance to progressive firms.

DRIZA Ltd. is located in Patos (130 km from Tirana). The owner started broiler production after the privatization of the poultry facility in 1995. Assistance from IFDC began in 1998 under the previous project, when DRIZA joined the newly formed Albanian Poultry and Feed Association (and also allied with the Meat Processing Association). DRIZA asked the project for technical assistance to tackle its main difficulties, which included the need to upgrade technology, establish a consistent raw material supply, obtain financing to expand the business, increase capacity utilization to maximize profits, and improve the marketing of its products.

Project staff, together with local and foreign experts, provided on a continuing basis:

- *Information and contacts on sources of feed, chicks, equipment, and markets.*
- *Help in strategic and business plans for proposals to the banks (DRIZA obtained three credits worth US \$450,000 in 3 years from the American Bank of Albania).*
- *Assistance in selecting technology, veterinary tools, and new equipment.*
- *Marketing plans, including packaging, branding, and new market entry.*

Thanks in part to AAATA help, DRIZA increased capital investment by US \$700,000 and sales as indicated below:

<i>Year</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
<i>Broiler production ('000)</i>	<i>20</i>	<i>95</i>	<i>150</i>	<i>550</i>	<i>900</i>
<i>Sales Revenue ('000 US \$)</i>	<i>60</i>	<i>300</i>	<i>475</i>	<i>1,540</i>	<i>1,840</i>

Broiler production is expected to reach 1.2 million in 2002.

In 2001, the project helped DRIZA introduce a new product to Albania—turkeys. They raised 8,000 birds as a pilot and sold them during the holiday season. The firm is now producing the popular turkey meat on a regular basis.

Just as in most developing and transitional countries, finance and credit for private agribusiness development in Albania are essential but remain scarce and costly at best. Because of the good credit reputation IFDC projects had established and the confidence in its technical support, banks and suppliers were willing to consider AAATA clients. The strategic alliance with the American Bank of Albania was especially fruitful. Project staff prepared 64 business plans, on a cost-share basis, and guided clients through the process. In the Albanian context where banks steer away from credit to agribusiness, it is testimony to project effectiveness that its clients received an average US \$1 million per year.

Results and Performance Indicators—The concerted efforts, investments, and combination of project techniques produced noteworthy results. Over the 3 years from the base period of 1998, *the 50 targeted project clients in 10 sub-sectors increased their business turnover more than twofold*—from US \$27.6 million in 1998 to US \$57.4 million in 2001, and their employees by 25%. Similar significant growth characterizes the membership of the eight AAATA trade associations more broadly, as indicated by the chart below on the performance of 160 primary members.

Industry (# clients)	1998 base	Production			Annual Sales Revenue (million US \$)			
		1999	2000	2001	1998	1999	2000	2001
Edible/olive oil (30)	12 (mt/day)	28	61	79	\$1.1	\$3.3	\$12.4	\$17.0
Poultry Eggs (20)	152 (million eggs)	198	245	277	\$20	\$27	\$33	\$43
Poultry Broilers (2)	200 (mt/day)	300	480	8760	\$7.5	\$1.2	\$1.7	\$4.3
Horticultural processors (5)	1.9K (mt/day)	2.5	2.9	N/A	\$2.2	\$2.9	\$3.3	N/A
Vegetable producers (35)	4.1K (mt)	4.3	4.4	4.5	\$7	\$7.4	\$7.6	\$7.8
Meat processors (19)	21 (mt/day)	26.6	34	37.3	\$15.5	\$20.3	\$25.9	\$29.7
Fish farms (6)	110 (mt)	198	252	273				
Fishing firms (10)	422 (mt)	476	541	618				
Fish processors (8)	2,350(mt)	2,490	3,770	4,460				
Flour millers (24)	261 (mt/day)	706	520	N/A	\$24.4	\$35.5	\$34.7	N/A

Although the numbers for vegetable producers indicate slow improvement to date, the foundations are being laid for more growth in the future. For example, 65% of association members plant long-shelf-life tomato hybrids, and seed producers are expanding acreage. After seeing the benefits of drip irrigation, farmers are experimenting with it on 7 ha. Improvements in greenhouse technology introduced by the project helped client operators increase their revenue by 15% in 2001. That will help encourage more and better production from farmers and possibly contract growing.

EN&ZY Ltd, located in Kavaja (60 km from Tirana), has become a successful and active processor of horticultural crops. Given the potential for the fruit and vegetable industry in Albania and the serious interest by the firm's owner, the AAATA project started providing technical assistance to EN&ZY in early 1999. The main areas of advice were:

- *Improvement of entrepreneurial skills and business planning, access to credit, market research, advice on packaging materials and lines;*
- *Upgrade of technical capabilities and diversification into new products and sources of raw materials.*

A founding member of the Horticulture Albanian Business Association, EN&ZY Ltd. has been in the forefront of AAATA initiatives with the association, such as:

- *Contract Grower Agreements*—Two contracts for tomatoes and peppers on 25 ha were introduced in 2000. The good results for both sides demonstrate that this concept can work in Albania despite the many social and historic constraints.
- *Raw Material Supplies From Local Production Rather Than Imports*—The company processes 20 types of fruits and vegetables, and sources 90% domestically.
- *Improved Packaging*—EN&ZY invested US \$100,000 in 2000 for two new lines.
- *Export Opportunities*—The company exported 150 tons of ketchup to Kosovo in 2000 and an estimated 500 tons in 2001. That year the firm also invested in a new roasted pepper line and produced 50 tons for export.

Progress by EN&ZY, with AAATA support, is demonstrated in the chart below:

<i>Years</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
<i>Material processed (mt)</i>	<i>450</i>	<i>835</i>	<i>925</i>	<i>1030</i>	<i>1500</i>
<i>Sales (in '000 US \$)</i>	<i>495</i>	<i>919</i>	<i>1,017</i>	<i>1,133</i>	<i>1,650</i>
<i>Number of products</i>	<i>7</i>	<i>14</i>	<i>18</i>	<i>21</i>	<i>22</i>
<i>Investments ('000 US \$)</i>	<i>10</i>	<i>60</i>	<i>230</i>	<i>180</i>	<i>80</i>
<i>Bank Loans ('000 US \$)</i>	<i>-</i>	<i>-</i>	<i>200</i>	<i>300</i>	<i>-</i>

Broader Implications—Obviously, many factors are at play in Albania in determining agricultural production and agribusiness development, and they extend far beyond the scope and manageable aspects of a single project such as AAATA. Given the disappointing performance of agriculture in other transition countries, however, and the prominent role of the USAID/IFDC partnership in Albania, it is encouraging to note that real GDP in Albania grew by 7% a year since 1998. It was led by the agriculture sector, which accounts for over 50% of GDP and employment. Moreover the momentum of the previous IFDC projects continues. AFADA graduated from project support in 1999, but the association remains strong and the dealers continue to increase the supply of modern inputs to farmers. Their business turnover reached US \$43.2 million in 2001, up from US \$30 million in 1999. This helped maintain positive countrywide trends.

Farmer Income, Input Use, and Crop Yields in Albania, 1998-2001
(Ministry of Agriculture)

Category	1998	1999	2000	Forecast 2001	Change in 3 Years	% Change—3 years
Farm income (lek)	57,800	62,000	94,571	95,000	37,200	64.4
Farms using fertilizer (%)	81.0	88.0	90.0	90	9	11.1
Farms buying seed (%)	47.0	50.0	54.0	60	13	27.7
Farms using CPCs (%)	46.0	53.0	60.0	60	14	30.4
Wheat yields (mt/ha)	2.9	2.7	3.0	2.9	0	0
Maize yields (mt/ha)	3.4	3.7	3.6	3.8	0.4	11.8
Alfalfa yields (mt/ha)	31.2	32.3	35.0	35.0	3.8	12.2

In areas where the AAATA project has been focused, such as horticulture and poultry, the countrywide numbers collected by the Ministry are even better. As the chart indicates, the client vegetable processors are on a growth trajectory.

No.	Description	Unit of Measure	1998	1999	2000	2001	Change Over the 3 Years	% Change Over the 3 Years
I	Vegetable							
1	Vegetable and melon area	'000 ha	30.8	31.2	32.8	33.9	3.1	10
2	Greenhouse area	ha	309	417	462	550	241	78
3	Vegetable production in total	'000 ton	604.6	610.4	620	620	15.4	2
4	Greenhouse production	ton	21,926	32,050	38,580	46,000	24,074	210
5	Export of fresh vegetables	ton	141	510	1075	489 ^a	348	247
6	Export of processed vegetables	ton	36	462	628	563 ^a	527	1,464
II	Poultry							
1	Number of chickens	'000	3,839	4,010	4,087	5,118	1,279	30
2	Egg production in total	million eggs	397	414	530	590	193	50
3	Egg importation	million eggs	11	11	8	7	-4	-60

a. Export figures for 2001 are lower than in 2000 because troubles in Macedonia reduced the imports of fresh and processed vegetables from there and from Turkey, thus creating more demand for local products. With the higher domestic prices, Albania's modest agro-exports dropped. Neighboring countries also imposed new barriers to trade.

B. Impact, Lessons Learned, and Problems

Perhaps the greatest impact of the AAATA project to date has been to convince public and private decision makers that agribusiness is critical to the country's economic future and that Albania can compete with imported products and in niche export markets. This is a significant change of attitude in Albania brought about by the combination of trade association influence, via KASH, and the demonstrated success of individual client firms. An example is the selection for the first time of an agro-entrepreneur (member of the Poultry Association) as Agriculture Minister in mid-2001.

The ability to produce top quality and diversify into new products, such as greenhouse vegetables in winter, extra virgin olive oil, cherry tomatoes, and turkeys, has stimulated more interest, confidence, and self-investment in agribusiness. While the emphasis is on replacing imported agricultural products in which Albanian producers can compete, the project also moved to develop markets abroad to stimulate value-added processing and advances in quality and packaging. AAATA arranged trips to nearby countries for contacts and market information.

As a result of these efforts, AAATA clients exported US \$2.1 million worth of food products. Shipments to Kosovo of processed foods, such as ketchup, peppers, and fruit compote accounted for one-half of the total value. But other important openings were made, e.g., dried figs to Bulgaria, and US \$600,000 worth of fresh herbs and spices to Switzerland. During the next phase, the project will advance efforts to establish export beachheads. The partnership with AGRIDEV brought qualified long- and short-term agribusiness expertise to the project. It also opened opportunities for mutually beneficial business partnerships with Israeli firms, such as generous credit on the purchase of two high-tech greenhouses and buyers for roasted peppers and fruit juice.

The project centered its agribusiness development efforts on trade association member producers and processors. In addition to helping them gain access to business and management skills, credit, information, and technology, the project worked with them to improve the backward linkages to suppliers of raw material and the forward linkages to markets. The

techniques of private sector extension services honed in the previous project, for example, proved valuable in upgrading the production of the farmer suppliers.

The project collaboration with other USAID partners and donors has been rewarding. For example, the close alliance with a German-funded horticultural project in the Lushnja region stimulated a unique development—another German aid organization, named the Centrum fuer Internationale Migration und Entwicklung (CIM), assigned an agribusiness expert advisor to the AAATA project for 2 years beginning in mid-2001. He is based in Fier and works with the potato association, a village producer group, and a branch of the National Farmers' Union. As earlier noted, the relationship nurtured with the American Bank of Albania and others helped inject vital credit into project client enterprises.

Challenges—In any such projects there are disappointments and problems. IFDC had hoped in Phase One to facilitate some joint ventures in agribusiness to demonstrate their viability. While a few joint ventures exist, such as a poultry one that the project assists, new investment from outside did not materialize due to the host of constraints and uncertainty in the Albanian business climate. The project continues to explore opportunities because private investment from outside, along with the management, technology, and markets it embodies, is vital for future advancement of agribusiness in Albania, especially as donor funding diminishes.

AAATA has demonstrated success in the niche exports, an area that would be attractive to foreign investors. Albania is late in entering the Eastern European market, however, and will be competing with other countries for similar markets. Upgrading to European Union standards will require time and continued outside technical and marketing assistance. A way to improve the reliability of quantity and quality of fresh and processed output is contract farming in conjunction with private sector extension services and specialized expertise.

Efforts by others have failed in the past, and it is too early to know whether the pilot contract grower arrangements fostered by AAATA will be widely adopted, the number of progressive clients will grow exponentially, and the experiment of assigning project staff to

competing consulting groups will lead to viable business support units. Another area that presents a challenge while holding promise is public-private partnerships.

IV. Institutional Support and Public/Private Partnerships

A. Achievements and Techniques

In addition to the twin institutional legacy of trade associations and agro-enterprises, the AAATA project has contributed significantly to building selected agribusiness support organizations. These include, private sector extension services, credit unions, and public institutes for food quality and safety and for agricultural surveys and statistics.

In the previous project, IFDC provided extension training and technical support to agro-input dealers so they could become transmitters of technology and merchants of products, along the lines that seed and other input companies introduce products in the U.S. and Europe. These *private sector extension services* proved to be effective change agents for the AFADA membership and their customers. The AAATA project introduced the concept to processors so they could strengthen linkages with farmers to improve product quality, consistency, and supply. This concept is being institutionalized through the trade associations in the olive oil and horticultural sub-sectors, such as in contract farming, and more generally through the consulting service role of the ABMC.

The project conducted 10 special methodology workshops in which 500 association members were trained in private sector extension. They focused on open field vegetables, greenhouses and olive production, priority industry clusters for the next phase of AAATA. Project staff also conducted 50 field demonstrations reaching 2,000 farmers on selected crops, including 160 varieties of vegetables that have high value and competitive advantage. The project is developing a technology transfer center in the vegetable region of Divjaka and has produced 5 manuals and 6 technical brochures to help producers improve quality.

An IFDC expert trained the project economists in the best methods for measuring the *competitiveness* of individual crops. The analyses were used to develop project priorities and to inform members of the horticulture association. Staff also disseminated the results and techniques to government agencies, so they can better understand the competitive opportunities for Albanian agriculture and the policies needed to exploit them.

The project formed a *council of agribusiness experts*—entrepreneurs, academics and others in the field. They meet quarterly to advise on technical issues, offer a bigger perspective, and promote reform and interaction with government. Another avenue for that is the coordination between KASH and the Parliamentary Committee on Agriculture.

To *improve food quality and safety standards* and increase the competitiveness of Albanian agribusiness, the project has been working with two public institutes that can play key roles—the Food Research Institute and the Veterinary Research Institute. Over the past 3 years USAID has provided them through the project with laboratory equipment, audiovisual equipment, and training valued at over US \$110,000. This support has upgraded the testing, analysis, and business know-how of the institutes so that they can generate revenue and serve association members in improving their products.

In the second half of 2001, IFDC helped organize the first international conference in Albania on Food Quality and Safety. During the same period, the project supported the training of more than 400 researchers, industry specialists and association members in quality improvement topics.

The AAATA project concept as designed by USAID asked the implementer to develop *credit unions* as a means of generating finance for agribusiness development. IFDC took the approach that the credit unions should be based in the trade associations. In that way they would perform three functions:

- Generate savings to provide credit for project clients in expanding their business.
- Reinforce the value of membership in trade associations.

- Contribute to the rural finance system and help build confidence after the disastrous pyramid schemes of 1997.

IFDC contracted with the Development of Savings-Credit Associations Movement Foundation, an Albanian non-governmental organization (NGO) established by the Irish League of Credit Unions, to provide technical assistance to association members. IFDC also shared some of the funds with USAID-partner Land O'Lakes to promote credit unions with the dairy producers.

The project developed three association-based credit unions. They serve members of AFADA, the potato producers, and the horticulture trade associations. The AFADA Credit and Savings Association started by IFDC is the largest agribusiness credit union in Albania. It has 134 members (one third of whom are women) and savings of US \$103,000. It has already loaned twice that amount in 34 loans. The AAATA-supported Land O'Lakes program has registered six credit unions that serve 1,000 women dairy farmers with small consumer loans in rural areas where no financial services previously existed.

B. Impact, Lessons Learned, and Problems

The previous experience of USAID/IFDC in Albania and elsewhere certainly contributed to the success of the institutional support mechanisms and stratagems. For example, IFDC had learned the benefits and ways to make the *media a partner in development*, and it used that tool effectively to promote recognition of the AAATA associations, reforms advocated by KASH, campaigns such as the upgrading of olive oil, new technologies, and client successes. Though small compared to World Bank projects, the AAATA project has generated significant impact and wide recognition as a success for USAID.

A primary reason for this influence is the independence of the project from direct supervision by the GOA and counterpart personnel. The project could thus be flexible and private sector driven. It also allows IFDC to serve as an honest broker, play a credible role in promoting public-private partnerships, and provide advice to the GOA and donors.

It is noteworthy in this regard that the President of the Republic of Albania bestowed on the IFDC chief of the AAATA project the Golden Award for “special civil merits for foreigners” on October 24, 2001. KASH nominated him for this rare honor because of his “long-term and special contribution toward the development of the agricultural private sector, the agro-processing industry, the private extension services, the organization of agribusiness associations, and advocacy issues related to Albanian agribusiness.”

Challenges—In working with the two research centers and statistics department, IFDC had to change the attitudes of management and staff. The project funds were not to be used for research but for improving ways the institutes could serve the private sector. Budgetary constraints prevent public organizations in Albania from providing an appropriate level of services. The project’s objectives were to introduce cost-saving measures and business plans and to improve output. The institutes have been able to increase services, while at the same time reducing their burden on the Ministry’s budget, which is not expected in the foreseeable future to be adequate to carry out necessary public functions.

Although the new financing generated by the *credit unions* is small relative to the needs, their success represents a significant accomplishment. There is general distrust in Albania for such mechanisms, stemming from the failed cooperatives of the former communist regime and from the financial pyramid schemes that wiped out savings in 1997. Efforts to stimulate savings associations at the village level produced only mixed results. The AAATA project demonstrated that safe and effective credit unions can blossom in Albania if they are based in trade associations with shared interests. Moreover, the associations offer scope for expansion by reaching out to the extended business families.

V. Conclusions and the Future

AAATA shows that real progress can be made in increasing agricultural output and added value despite the many problems facing agribusiness in transitional countries like Albania. Even quantum leaps in technology are possible and profitable. Trade associations can play a

critical role in integrating and reinforcing systems that transfer know-how and improve access to credit, information, policy reform, and markets.

The project exceeded the initial objectives and expectations, for example, by establishing KASH and ABMC and becoming a proving ground for trade association and agribusiness service sustainability. AAATA filled technical and other gaps of a public goods nature not required under the Agreement with USAID and serves as an institutional memory. The project in Phase One generated over US \$21 million in cost-share contributions, loans and investments and leveraging (more than three times the funds provided by USAID).

In one sense the formula for AAATA success is easy to describe, similar to investment advice to diversify and to understand risk. The art and science of implementing the project, like an investment strategy, however, is complex and depends on skilled personnel. It is also important to keep in mind that the AAATA project was blessed with some factors not always present in other countries. These include a technically educated populace, a history of agriculture, and an entrepreneurial, hard-working spirit, reflected in part by the substantial inflows of remittances from the Albanian Diaspora. These factors helped otherwise poor Albanians to start firms and join the ranks of agribusiness. Moreover, a big element in the rapid success of AAATA members was the wise long-term investment by USAID in this quest and its confidence in IFDC, which in turn was able over the decade of the 1990s to gain the trust of the agribusiness community.

What are some of the defining elements and lessons of AAATA?

- Good project design, flexibility, and understanding by USAID.
- Professional development of project and trade association staff.
- Innovation and evolution in pursuit of goals.
- Focus on generating real business results for clients.
- Prior experience in and understanding of the country.
- Private sector and sustainable, commercial philosophy.
- Use of media as a partner.
- Leveraging and alliances with other partners and donors.

- Building trust, transparency, and democratic values among clients.
- Conviction in success and doing what it takes to make it happen.

USAID has recognized the AAATA project as a model, and incorporated some of the achievements, methods, and lessons in an agribusiness case study based on IFDC work in Albania. It is used to train USAID EGAT officers. Moreover, USAID Missions in Kosovo, Kyrgyzstan, Azerbaijan, Nigeria, and Afghanistan have recently engaged IFDC to undertake agro-input market and trade association development projects in those countries. Two of the Albanian former project staff members are now serving as long-term advisors in those projects. Reflecting their high caliber, many other project staff help as short-term consultants to USAID/IFDC projects, thus spreading the lessons.

There is still a long way to go. The quest for developing a vibrant agribusiness sector in Albania has just begun. In March 2001 the USAID Mission brought in a team of US agribusiness experts to consult with local practitioners and to help identify problems, best prospects, and strategic direction for USAID in Albania. The study highlighted the many hurdles and the long road ahead. In addition to an uncertain business and political climate that impedes growth, the team noted that there is progress in legislation but not in enforcement, no GOA incentives, a low marketed surplus means that only a small percentage of the crop is processed, and land disputes prevent the necessary consolidation and land markets. Poor irrigation, roads and other infrastructure make it difficult for Albania to compete, as do tariff protection by neighbors. (For example, Macedonian exporters face only a 1% tax in Kosovo, while Albanian products are charged 26.5%.)

Future Directions of AAATA

During Phase Two of the project in 2002 and 2003, IFDC will seek to expand the promising results to date and to embed the elements of sustainability throughout. Critical to competitive agribusiness success is the integration of the value chain from inputs through production, to post-harvest handling, processing, and marketing. The extension will focus on promoting the emergence of demand-driven industry clusters anchored in the trade associations and the ABMC.

To spur the development of industry clusters and value-added commodity chains for competitive products, the project converted technical project staff into agribusiness consulting groups. The intent is to promote sustainable business consulting services by moving to full cost recovery. To ensure that the trade associations will continue to function and be financially self-reliant, the project is stepping up the non-dues revenue generation from existing and new services including the pilot commercial consulting unit.

Expected results and impact from Phase Two include:

- Functioning and sustainable ABMC and KASH, which will serve as influential and democratic forces for an improved business climate and agribusiness growth.
- Agricultural trade associations that will be able on their own to support and serve their members in ways that strengthen the economic prospects of their sectors.
- Four agricultural industry clusters that contribute to economic growth and rural development and serve as industry and enterprise models.
- A dozen enterprises in each of four industry groups that have upgraded production to world standards and will have doubled output during the life of project.
- Regional trade linkages and opportunistic breakthroughs in niche markets.
- Awareness and response by government, donors, and the public that private sector and market economies are the key to the future in Albania.
- Model for other SME enterprises and industries of combined technology, marketing, and management development of domestic and export markets.